

UK FDI Enforcement Continues, But Changes Are On The Way

By **Matthew Hall** (July 25, 2025)

The U.K. controls foreign direct investment on national security and public interest grounds with the regime contained in the National Security and Investment Act 2021.

The U.K. government has made 40 decisions intervening in transactions under the NSI Act. A recent example, announced on May 22, concerns a shareholding by Maple Armor in Fireblitz Extinguisher Ltd. and Fireblitz Europe Ltd.[1]

The case, discussed in this article, demonstrates that the government can be concerned about unexpected issues or companies. It also shows that novel conditions may be imposed as part of an approval.



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This is an evolving area and changes to the act are on the way. Advisers and companies have from the start of the regime complained about several aspects of the act, including the number of nonsensitive transactions falling within the mandatory notification regime.

On July 22, the government announced certain exemptions and a consultation on updating aspects of the act, and investors should consider responding to this.

Scope of U.K. NSI Act

The act has a wide scope, catching investments into entities and assets made by U.K. and non-U.K. businesses with no turnover or asset thresholds. In some situations when an entity is acquired, the act requires mandatory notification and clearance prior to closing.

Even where such notification is not required, the government can investigate a range of other share and asset transactions if it sees potential national security concerns, either following a voluntary notification or if the government identifies the transaction and reasonably suspects it may give rise to a national security risk.

In all these cases, following a detailed review, the government can impose remedies — conditions — and even unwind or block an acquisition completely.

Maple Armor's Shareholding in Fireblitz

In April 2024, Maple Armor increased its shareholding in Fireblitz from less than 75% to 75% or more. Maple Armor is based in Canada, but ultimately owned by Chinese fire safety group Jade Bird Fire. Fireblitz is a U.K. fire safety equipment manufacturer.

That change to the shareholding level gave Maple Armor control of Fireblitz for the purposes of the act.

The transaction does not appear to have been subject to a mandatory notification under the act and was likely subject to a post-closing call-in when the government identified the transaction.

Following its investigation under the act, the government identified risks to national

security. These related to the potential for the Chinese company to collect and access data about individuals and entities in the U.K. by controlling the supply chain and/or the operation of internet-connected devices that Fireblitz could produce or market in the future.

In order to deal with these concerns, as a condition of approval, Maple Armor and Fireblitz are required to ensure that Fireblitz does not develop, market or manufacture its own proprietary internet-connected device technology.

This includes a prohibition on Fireblitz developing, manufacturing or marketing internet-connected devices in partnership with entities incorporated in or owned by entities incorporated in jurisdictions outside of a preapproved list.

Fireblitz's supply chain is also controlled. Fireblitz may not source or procure certain components key to the functioning of internet-connected devices from countries outside of a preapproved list.

The government also required specific data conditions, the details of which were not provided to the public. Fireblitz may only have access to permitted data generated from internet-connected devices that it may market, sell or otherwise distribute in the future.

In addition, certain unidentified entities and affiliated entities shall not access, control or own any data generated from internet-connected devices that Fireblitz may market, sell or otherwise distribute in the future.

Maple Armor-Fireblitz and the NSI Act

This case appears to be the first time preapproved lists have been used as part of NSI Act conditions. The restrictions on the development of future products also seem not to have been used before. This shows that in relevant cases novel conditions can be used as part of an approval.

Unexpected conditions can affect business plans and impose costs. Purchasers should be ready for the possibility and draft purchase agreements allowing a walk-away if they are not acceptable or damage the rationale for a deal. This is particularly the case for acquirers from certain countries, including China.

Although Fireblitz is a small company, with U.K. net assets of only around £3 million (\$4 million), its acquisition was as seen as important enough to justify a full investigation under the act and the imposition of those conditions. This is due to the sector it is involved in and the related risks identified.

The case appears to be an example of the act being used defensively to protect the U.K. national interest. The concern about access to data is presumably relevant, given the nature of some of the organizations that Fireblitz supplies. The concern about the operation of internet-connected devices is also likely based on that issue and the government's concern about those organizations' vulnerability to cyberattacks, monitoring or interference from China.

Potential Changes

The U.K. government announced in its June modern industrial strategy document that it would launch a consultation on updating the definitions covering the 17 sensitive areas of the economy subject to mandatory notification under the NSI Act.[2]

The document also indicated the government would shortly announce specific new exemptions to the mandatory regime. The scope of activities covered by the mandatory notification sectors is often criticized as being broad and unclear, and in practice often catches acquisitions of businesses that raise no real national security issues.

On July 22, the government took the next step in this process. It announced that a mandatory notification will no longer be needed when a business is undertaking certain types of internal reorganizations or appointing liquidators, special administrators and official receivers.[3]

Those types of transactions rarely raise substantive concerns, and the exemptions are a welcome simplification. Details are currently being developed, according to the press release.

A consultation, concluding on Oct. 14, was also launched.[4] Among other changes, the government proposes to create new stand-alone categories for semiconductor and critical minerals businesses, which currently fall under the advanced materials sector. Computing hardware, currently a stand-alone sector, would move under the semiconductors sector.

In addition, it is proposed that acquisitions of water operating companies will be subject to mandatory notification. This is justified on the basis it reflects "increasing risks to [the sector's] resilience in a growing threat landscape." The consultation document indicates there could be as many as 35 more mandatory notifications each year as a result of the changes. The number of mandatory sectors would increase from 17 to 19. Neither of those figures suggests less complexity when compared with the current regime.

Conclusion

The U.K.'s NSI Act is an important consideration, alongside merger control, in many acquisitions involving U.K. targets.

The regime requires mandatory notification of entity acquisitions in a wide range of sensitive sectors. In addition, a transaction can be called in for review based on national security concerns even if it does not fall under the mandatory regime.

National security is a wide and undefined concept, and the government has identified concerns in a range of industries beyond the mandatory sectors. There are no turnover or asset thresholds for a transaction to be reviewed, and call-ins take place in relation to small target companies that do not immediately seem to raise national security concerns.

Conditions of various types have been imposed in such cases and acquirers need to consider the implications of this. The range of conditions is not closed and will be tailored to fit the particular transaction. Novel conditions may be used, and parties should be prepared for this, including in transaction documents when conditions precedent are included.

The government is consulting on changes to the NSI Act regime and is in the process of implementing exemptions. Interested parties should review the announcement and consultation, and make their views known to the government.

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[1] <https://www.gov.uk/government/publications/acquisition-of-a-75-shareholding-in-fireblitz-extinguisher-limited-and-fireblitz-europe-limited-by-maple-armor-group-corporation-notice-of-final-ord/acquisition-of-a-75-shareholding-in-fireblitz-extinguisher-limited-and-fireblitz-europe-limited-by-maple-armor-group-corporation-notice-of-final-ord>.

[2] https://assets.publishing.service.gov.uk/media/68595e56db8e139f95652dc6/industrial_strategy_policy_paper.pdf, page 45.

[3] https://www.gov.uk/government/news/national-security-powers-to-be-updated-to-reduce-the-burden-on-businesses?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=04fbc1f9-8890-48e7-98d8-db8d94524560&utm_content=immediately.

[4] https://assets.publishing.service.gov.uk/media/687e1d919914d1f63267c5b9/National_Security_and_Investment_Act__Notifiable_Acquisition__Specification_of_Qualifying_Entities__Regulations_2021.pdf.